



The Florida House of Representatives

Chris Sprowls
Speaker

NEWS RELEASE

For Immediate Release:
March 29, 2021

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Speaker Sprowls, President Simpson Announce Update to Legislation to Cut Florida's Business Rent Tax

Amendment to HB 15 will direct additional out-of-state online sales tax collections to substantially reduce Florida's business rent tax

TALLAHASSEE, Fla. – Following a joint March 10 announcement outlining legislation to cut business the unemployment (reemployment) tax and replenish Florida's unemployment trust fund, today House Speaker Chris Sprowls, R-Palm Harbor, and Senate President Wilton Simpson, R-Trilby, highlighted a major update to the plan that will result in a substantial cut — by more than half — to Florida's business rent tax rate.

Under House Bill 15 by Representative Chuck Clemons, R-Newberry, and Senate Bill 50 by Senator Joe Gruters, R-Sarasota, about \$1 billion of uncollected sales tax due from out-of-state retailers will be collected and deposited into Florida's Unemployment Compensation Trust Fund annually until the Trust Fund is replenished to pre-pandemic levels. Under the update announced today, additional funds collected from out-of-state retailers will not go to General Revenue but instead toward reducing Florida's business rent tax rate from the current 5.5% to 2%. Florida is the only state to charge sales tax on commercial rentals of real property.

Replenishing the trust fund will still prevent an automatic increase in unemployment (reemployment assistance) taxes facing businesses, while ensuring that the fund remains solvent for employees when they need to claim their benefits.

“I have said repeatedly that Florida should be in the business of supporting small business, especially in the wake of a pandemic that has ravaged shop owners and their employees,” said Speaker Sprowls. “In addition to saving Florida businesses from a 700% increase in unemployment taxes over the next four years, our revised legislation will now do even more for the small business community — offer relief from our state’s commercial rent tax. Our update gets government out of the way of the entrepreneur, from the car mechanic down the street to your favorite local pizza place owner, and helps ensure that they can stay open for business. This legislation is American, in line with our conservative principles, and will help save jobs and keep our economy thriving both now and in the years ahead.”

“Florida is the only state in the nation that taxes commercial rent, but with this legislation we will drop that terrible distinction,” said Senate President Simpson. “By removing this tax, we will help existing businesses, encourage more entrepreneurs, and have an even better recruiting portfolio for businesses we want to lure away from highly regulated, high-tax states. Above all, we know this bill will lead to thousands of new high-wage jobs for Floridians.”

A recent Revenue Estimating Conference comprised of professional staff representatives of the Senate, House, Governor’s Office, and the Legislature’s Office of Economic and Demographic Research determined the bills could result in the collection of an additional \$973.6 million in Fiscal Year 2021-2022 and by \$1.08 billion each year thereafter.

In the House, HB 15 is up for consideration in the Commerce Committee today, and Representative Josie Tomkow, R-Polk City, offered an amendment to ensure that after the Unemployment Trust Fund is replenished the business rent tax will be cut to 2.0%. That amendment passed.

“As someone who owns a small business of my own, I deeply understand how important it is to protect our small business community and enact policies that also help new ones grow,” said Representative Tomkow.

“It is always a good day when we can provide more tax relief to Florida’s small businesses,” said Representative Clemons, HB 15 sponsor. “This amendment is vital to the ongoing recovery of our local economies, which run on small businesses.”

“When I filed this legislation, my motivation was to create a level playing field between Florida-based, brick-and-mortar businesses and their out-of-state competition. Along with that, I have always advocated for a reduction in the business rent tax,” said Senator Gruters, SB 50 sponsor. “I am pleased to work with President Simpson and Speaker Sprowls to see this bill finally becoming a reality to the benefit of our businesses and employees in Florida.”

Florida’s Business Rent Tax

Since 1969, Florida has imposed a sales tax on the total rent charged under a commercial lease of real property. Sales tax is due at the rate of 5.5% on the total rent paid for the right to use or occupy commercial real property. Local option sales surtaxes can also apply. If the tenant makes

payments such as mortgage, ad valorem taxes, or insurance on behalf of the property owner, such payments are also classified as rent and are subject to the tax.

Commercial real property includes land, buildings, office or retail space, convention or meeting rooms, airport tie-downs, and parking and docking spaces. It may also involve the granting of a license to use real property for the placement of vending, amusement, or newspaper machines.

Florida's Unemployment Tax and Trust Fund

Florida's existing unemployment (reemployment) tax is paid by employers and the tax collected is deposited into the Unemployment Compensation Trust Fund for the sole purpose of paying reemployment assistance benefits to eligible claimants. A specific rate, calculated annually, is charged by the state to the employer on the first \$7,000 of wages paid to each employee.

The rate paid by each employer is based on certain factors, including the employer's prior use of the fund, and the statewide balance of the fund. An employer who frequently lays off employees who then collect unemployment benefits will pay a higher rate. However, any employers who were forced to lay off employees due to the COVID-19 pandemic did not have those benefits charged directly back to their accounts, which was announced by an Executive Order issued by Governor DeSantis.

Unfortunately, the decline in the balance of the fund caused by the pandemic triggered an increase in rates for all employers beginning in January 2021. The rates are projected to increase even further over the next few years until the fund is replenished to pre-pandemic levels. Under this plan, unemployment (reemployment) tax increases for all employers resulting from the pandemic will be prevented.

For more information, please visit www.FLSenate.gov or www.MyFloridaHouse.gov.

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